

May 17, 2017

Ms. Amy Roblyer, Senior Management Analyst
City of Irvine
1 Civic Center Place
Irvine, CA 92623

Dear Ms. Roblyer:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 21, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Irvine Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on January 5, 2017. Subsequently, the Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 6, 2017.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed.

Item No. 4 – Implementation Agreement No. 1 in the total outstanding obligation amount of \$22,375,000. Finance continues to deny this item. Finance previously denied funding for this item although it is an enforceable obligation under HSC section 34171 (d) because payments required pursuant to the agreement are not eligible for Redevelopment Property Tax Trust Funds (RPTTF). Section 2.14 of Implementation Agreement No. 1 identifies the source of funds as tax revenues allocated to the former Redevelopment Agency (RDA) pursuant to HSC section 33670 (b); however, under dissolution, HSC section 34189 specifically renders HSC section 33670 (b) inoperative.

During the Meet and Confer, the Agency clarified that funds pledged from HSC section 33670 (b) are the same as RPTTF and it was the intent of the former RDA and Orange County that these payments continue until such time as the last RDA obligation is retired. However, the terms of the agreement dictate that the amounts the RDA would be obligated to pay in each year would be dependent upon amounts available to the RDA from HSC 33670 (b). Since HSC section 34189 specifically makes HSC section 33670 (b) inoperative, no funds are available to flow and, by the terms of the agreement, the obligation is zero.¹ Therefore, the requested amount of \$1,700,000 in RPTTF funding is not allowed.

¹ See also, *Cuenca v. Cohen* (2017) 8 Cal.App.5th 200.

Except for the item adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18.

The Agency's maximum approved RPTTF distribution for the reporting period is \$280,205,798 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period), and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

This is Finance's final determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

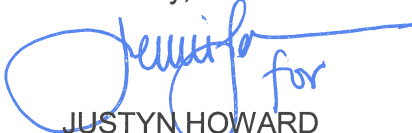
Finance's determination is effective for the ROPS 17-18 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

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Please direct inquiries to Anna Kyumba, Supervisor, or Zuber Tejani, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Teri Washle, Finance Administrator, City of Irvine
Mr. Frank Davies, Property Tax Manager, Orange County

Attachment

Approved RPTTF Distribution For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 141,727,899	\$ 140,027,899	\$ 281,755,798
Administrative RPTTF Requested	75,000	75,000	150,000
Total RPTTF Requested	141,802,899	140,102,899	281,905,798
RPTTF Requested	141,727,899	140,027,899	281,755,798
<u>Adjustment</u>			
Item No. 4	(1,700,000)	0	(1,700,000)
RPTTF Authorized	140,027,899	140,027,899	280,055,798
Administrative RPTTF Authorized	75,000	75,000	150,000
Total RPTTF Approved for Distribution	\$ 140,102,899	\$ 140,102,899	\$ 280,205,798